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FAX COVER SHEET

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TO: Name: Carl Freytag
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Date: August 14, 1991

Time: 3:00 PM

State: Colorado

FAX Telephone Number: (303) 248-6040

FROM: Name: Alan Hall

File No. 07518.00100

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COMMENTS: .

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DRAFTRelease and Covenant Not to Sue

This Release and Covenant Not to Sue is made as of this ____ day of August, 1991, by and between Todilto Exploration and Development Corporation, a New Mexico corporation, George Warnock, and the United States Department of Energy.

RECITALS

1. Lease. Todilto Exploration and Development Corporation, a New Mexico corporation, and/or George Warnock, an individual, are lessee or lessees (hereinafter "Lessee") under that certain Mining Lease No. AT(05-1)-ML-60.8-NM-B-1, as modified (hereinafter "Lease"), entered into June 12, 1974 by and between Lessee and the United States of America, as Lessor. Under the Lease, Lessee has the right to explore for, develop, mine, and remove deposits of uranium from the southeast quarter (SE $\frac{1}{4}$) and the south half of the north half (S $\frac{1}{2}$, N $\frac{1}{2}$) of Section 13, Township 13 North, Range 11 West, New Mexico Principal Meridian, in McKinley County, New Mexico.

2. Lease term. The lease terminates on June 12, 1994, but may be extended for additional periods of ten years each at the option of Lessee, provided that the person executing the lease on behalf of the United States (the "Contracting Officer") determines pursuant to 10 CFR § 760.1(u) that such extension is in the best interest of the United States.

3. Development of the Lease. Lessor has successfully opened and worked an underground mine (the "Mine") on the Lease property, and has fully complied with all requirements of the Lease. The

Mine is currently inactive due to the low market price for uranium, but is being maintained in good condition by Lessee. The Mine contains appreciable reserves, and can be profitably worked upon a recovery of the price of uranium.

4. Abatement of radiation releases. At the behest of the Environmental Protection Agency, the Department of Energy ("DOE"), current representative of the United States, insists that radiation releases from the Mine be abated by covering or removing the ore pads near the portal and sealing the portal, the vent raise, and the vent holes. Lessee does not agree that such abatement is necessary or desirable on health, safety or environmental grounds.

5. Effect of abatement. Both Lessee and DOE agree that sealing the mine openings will add an appreciable cost to the expense of future reactivation of the Mine. Lessee maintains that this cost may preclude reactivation of the Mine, and that as such the abatement for the purpose of reducing radiation may constitute a de facto permanent closure of the Mine.

AGREEMENT

1. Release by DOE. In consideration of Lessee's acquiescence to the sealing of the Mine, and the impairment of Lessee's leasehold thereby, and Lessee's covenant not to sue more particularly described below, DOE hereby agrees to release Lessee from all liability for the Environmental Requirements specified in Section XII of the Lease. Such release (the "Release") will be effective upon, and contemporaneous with, the final approval of DOE's representative of mine closure work done by Lessee under the Contract for Closing of Haystack Mine (the "Contract"), all of

which is incorporated herein and made a part of this Release and Covenant Not to Sue. If, however, subsequent to completion of the work described in the Contract, Lessee reopens the Mine for the purpose of further mining and development, this Release shall be null and void, and Lessee shall have the same obligation under the Lease as he had prior to the effective date of the Release.

DOE further agrees to defend, indemnify and hold Lessee, its officers, directors and employees, harmless from and against any claim, loss or expense to Lessee arising out of further abatement work or environmental remediation of the Lease property requested or required by the Environmental Protection Agency.

2. Covenant Not to Sue by Lessee. In consideration of DOE's agreement to make the Release, Lessee covenants not to sue DOE for the damage to Lessee's leasehold caused by the mine closure and other work done to abate radiation releases from the Mine, including the ore pads. This Covenant Not to Sue is effective upon, and contemporaneous with, the final approval of DOE's representative of mine closure work done by Lessee under the Contract.

TODILTO EXPLORATION AND DEVELOPMENT
CORPORATION

By _____
George Warnock, President

GEORGE WARNOCK

UNITED STATES DEPARTMENT OF ENERGY

By _____